



IRAQ GOVERNANCE STRENGTHENING PROJECT (GSP/ TAQADUM)

First National Conference for Improving the Provincial Financial
Management Regulatory Framework and the Execution Rate of the
Provincial Investment Budget

March 2014

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**USAID/Iraq Taqadum First National Conference for Improving the
Provincial Financial Management Regulatory Framework and the Execution
Rate of the Provincial Investment Budget
2 March 2014**

Under the sponsorship of the Governor of Najaf, Mr. Adnan Al Zurfi and in coordination with the Prime Minister's Advisory Council (PMAC), USAID/Taqadum held a conference at the Hospitality Palace in Najaf, Iraq on March 2nd, 2013.

The conference intended to build on the results of the Financial Management Regulatory Framework workshop that was held in Baghdad on December 29-30, 2013. The key purposes of the conference was to bring together key decision-makers and high-ranking central and provincial government officials to agree on a final set of changes to current budget execution instructions and government contracts execution instructions designed to increase budget execution rates.

One of the fundamental objectives of Taqadum/GSP's finance team is to assist in improving the provincial financial management system and the execution rates of the investment budget in 15 Iraqi provinces. To this end, GSP has been working with key partners and stakeholders on proposing modifications to remove legislative and administrative obstacles that contribute to delays in the implementation of government infrastructure projects and low budget execution rates. This conference offered a great opportunity to build broader leadership support to achieve this strategic goal.

76 representatives from the highest levels of the national and provincial governments attended the conference. Attendees from the national government included: Dr. Ali Al-Alak, the Secretary General of the Council of Ministers Secretariat (COMSEC), Mr. Rahman Issa Hassan, Secretary General Assistant, Mr. Riadh Fadil Mohammed, Director General - COMSEC Department of follow-up. From the Prime Minister's Advisory Council (PMAC), Dr. Abdul Hussein Al Anbaky, PM Economic Advisor. From the Ministry of Planning, Mr. Qassim Enaya, Director General of Government Investment Directorate representing Dr. Ali Shukri, Minister of Planning in addition to the Director General of the Legal, Government Contracts, and projects Follow-up Directorates of the Ministry of Planning and other officials from the Ministry of Planning.

From the State Ministry of Provincial Affairs, Mr. Husam Nahi, Director General of the Legal Department representing Dr. Torhan Al Mufti, Minister of State for Provincial Affairs. Other high-ranking officials from the Supreme Audit Board (SAB) and the Commission of Integrity (COI) joined the conference.

From the provincial governments, 11 provinces participated in the conference: Najaf, Baghdad, Basrah, Diyala, Anbar, Wasit, Karbala, and Dhi Qar, Babil, Muthanna, and Diwaniyah. Attendees from provincial governments included: the Governor of Najaf Mr. Adnan Al Zurfi, the Governor of Babil, Mr. Sadiq Madloul Al Sultani, the Governor of Muthanna Mr. Ibrahim

Salman Mayali, and the Governor of Diwaniyah Mr. Ammar Habib. The Deputy Governors of Baghdad, Wasit and Najaf also participated. Five Governor Assistants and Advisors from Anbar, Basrah, Karbala and Najaf attended the conference.

Further representatives from the provinces included the Chairman of Baghdad Provincial Council, Dr. Riad AL-Adhadh and high-level delegation from Baghdad PC including five of his Advisors. The Deputy Chairman of Provincial Councils in Wasit, Babil and Najaf also participated. 7 PC Members from Anbar, Basrah, Ninawa, Dhi Qar, Diwaniyah, Baghdad, and Najaf also joined the conference.

Additional government officials, academics, professionals and other guests attended the conference. The event was well-covered by a significant media presence, over 30 journalists and media crews from national and local TV stations and newspapers covered the event. Overall, the event was well received by participants at all levels.

The Governor of Najaf, Mr. Adnan Al Zurfi delivered the opening speech welcoming all the participants. The Governor of Najaf said “convening this conference at this level and scale of participation is an important step to increase awareness by local government officials of the practical and strategic steps that need to be taken to effectively execute the investment projects”. He added we are meeting today to discuss budget allocations problems and the obstacles facing the implementation of these projects and the proposed amendments to budget and government contracts execution instructions. This is to help the provinces suffering from these constraints find solutions to solve these problems. The Governor of Najaf expressed his thanks and appreciations to the USAID, Taqadum and all those who assisted in holding this conference.

The Secretary General of the Council of Ministers, Mr. Ali Mohsen Al-Alaq, delivered supportive remarks to pursue solutions to provincial budget problems. The Secretary General pointed out that budget discussion is healthy and engaging citizens in the discussion of the budget is expected in a democratic system to ensure that the budget responds to citizen needs. Mr. Ali Al-Alaq indicated that "The budget should be concerned with narrowing social differences among citizens, and citizens must be engaged in taking part in developing plans, proposing projects and participating in the monitoring and oversight processes".

Mr. Ali Al-Alaq said “key aspects of the budget problems lie with the current approach for preparing the budget including the existing budget classification system”. He pointed out that the General Secretariat of the Council of Ministers initiated the formation of a central committee to move Iraq towards a new budgeting system called Programs and Performance Budgeting (result oriented budgeting approach).

Speaking at the conference on behalf of the Ministry of Planning, Mr. Qassim Enaya Director General of Government Investment Directorate highlighted the important role of MoP in addressing different types of challenges and obstacles facing the implementation of investment projects.

Mr. Cameron Berkuti, Taqadum’s Chief of Party, speaking at the conference on behalf of USAID - Iraq Governance Strengthening Project (GSP) "Taqadum", welcomed the conference

participants. Mr. Berkuti said “sound public financial management systems are fundamental to the quality of governance and delivery of essential public services”. He pointed out that one of GSP’s fundamental objectives is to help Governor Offices and Provincial Councils improve the functioning of their financial management systems by improving the planning process and the preparation and execution of the provincial budgets taking into consideration citizen needs and priorities. Mr. Berkuti said “We are looking forward for an agreement at this conference on a set of proposed amendments to the provincial financial regulations designed to improve the efficiency of the execution of the investment budget in the Iraqi provinces.

At the conclusion of his remarks, Taqadum’s Chief of Party extend his heartfelt thanks to the province of Najaf and the Governor of Najaf, Mr. Adnan Al Zurfi on his sponsorship of the conference and to all those who participated and assisted in organizing this conference.

After the introductory remarks, GSP’s partners from the Prime Minister's Advisory Council (PMAC) and Iqtisaduna (“Our Economy”) Organization for Sustainable Development and Private Sector Support presented three presentations. The first presentation offered a review of current investment budget allocations and execution rates. The second presentation focused on the obstacles facing the execution of the investment budget and government contracts as well as the proposed changes. The last presentation addressed the administrative and procedural obstacles contributing to low budget execution rates.

During the last session of the conference, there was an open discussion of a list of 25 recommendations and proposed changes to the current financial management regulatory framework. The Governors of Najaf, Babil, Muthanna, Diwaniyah and the Chairman of Baghdad Provincial Council in addition to other high-level representatives made remarks focused largely on the proposed amendments under consideration.

Among the recommendations which were deliberated in the session:

- *The Ministry of Planning is to develop internationally accepted contracts, taking into consideration Iraqi environment and needs*
- *Build the capacity of contractors and engage them with good foreign companies for sharing experience and knowledge transfer;*
- *Develop a national database for contractors and projects they have implemented;*
- *Provinces should comply with the Council of Ministers' decisions as well as MoF and MoP regulations and instructions requiring that no project should be included in the federal budget only after the allocation and taking possession of the land for that project;*
- *The Council of Representatives of Iraq (COR) should pass the federal budget before the beginning of the new fiscal year;*
- *Activating projects follow-up and oversight roles; and*
- *The adoption of the principle of reward and punishment with the resident engineer and contract employees.*

To sum up, USAID/Taqadum’s first National Conference on Improving the Provincial Financial Management Regulatory Framework and the Execution Rate of the Provincial Investment Budget was intended to accomplish the following goals:

- *bring together key decision-makers and high-ranking central and provincial government officials as well as representatives from the private sector to increase the probability of changes being implemented,*
- *agree on a final set of changes to current budget execution instructions and government contracts execution instructions designed to increase budget execution rates,*
- *work with the Prime Minister's Advisory Council (PMAC) to present the final list of changes to the instructions to the Council of Ministers of Iraq for final approval and adoption, and*
- *assist the provinces in improving budgeting processes and the budget execution rates in the implementation of government contracts and ARDP budget.*

Results/Outcomes:

- *Significant improvements in investment budget instructions were proposed on behalf of all provinces.*
- *High-ranking central government and provincial decision-makers participated in all deliberations of the proposed modifications to current budget execution instructions and government contracts execution instructions.*
- *Governmental leaders demonstrated strong support for the recommended changes thus enhancing the probability of adoption and wide-spread implementation from the highest levels of government.*
- *High-ranking central government and provincial decision-makers are more aware of obstacles in key sets of financial regulations, procedures and instructions that directly impact the province's ability to prepare and execute timely provincial budgets.*

Overall, each of the key conference objectives was successfully achieved and the above-mentioned outcomes have set the stage for the next step for USAID/Taqadum in coordination with the Prime Minister's Advisory Committee (PMAC) to present the final list of proposed amendments to the regulations to the General Secretariat of the Council of Ministers (COMSEC) for a final decision from the Ministry of Planning and the Council of Ministers of Iraq.

The significance of this event:

The conference created an opportunity for the decision-makers from the highest levels of the national and provincial governments to tackle the challenges that stem from unspent allocations for ARDP projects and consider practical solutions to establish a strong foundation for enhanced provincial financial management systems.

There was a clear recognition for the need to improve the planning and execution of the provincial capital investment budget by removing legislative and administrative barriers that contribute to delays in projects implementation and low budget execution rates.

After the final approval and adoption of the proposed solutions, the citizens of Iraq should benefit from more and faster implementation of vital services and development projects to improve their quality of life.

Conference Agenda:

Date/Time	Topic
Sunday, March 2, 2014	
9:00-9:30	Registration
9:30-9:40	Welcome, Quran Recitation, National Anthem
9:40-9:50	Welcome Remarks – Governor of Najaf
9:50-10:00	Remarks by the Secretary General of the Council of Ministers
10:00-10:10	Remarks by the Representative of the Minister of Planning
10:20-10:30	Remarks by the GSP COP
10:30-10:40	Investment Budget Allocations & Execution Rates
10:40-11:00	Review of Administrative and Procedural Obstacles Contributing to Low Budget Execution Rates
11:00-11:30	Review of the Obstacles in Government Contracts Execution and Investment Budget Execution Instructions and the Proposed Changes
11:30-11:45	Break
11:45-2:00	Open discussion to Agree on a Final Set of Changes to Budget Instructions. The final list of changes to the instructions will be submitted to the Council of Ministers of Iraq for final approval and adoption.
2:00-3:00	Lunch